

Unemployment Insurance Trust Fund Solvency and Employer Rate Relief

Prior to the pandemic, Idaho had a historically low unemployment rate of 2.5% which increased to a historic high of 11.9% in April before dropping to 5% in July. Since onset of the pandemic, the state had paid out \$182 million in regular unemployment insurance benefits from Idaho Unemployment Insurance Trust Fund. Thus there is a need to ensure our unemployment insurance trust fund remains solvent for the evolving pandemic and its uncertain impact on unemployment this fall and winter. Traditionally, businesses would see a tax increase in the next year to maintain solvency.

The base unemployment insurance rate is set by Idaho Employment Security Law* and calculated based on the trust fund balance as of Sept. 30. The current base unemployment tax rate is 0.891% or approximately \$371 per employee. The 2021 tax forecast shows a 77% increase to the base rate to 1.6% or approximately \$688 per employee. Given the widespread impacts of COVID-19 on businesses, the ability of such businesses to absorb such increases in order to maintain trust fund solvency may be reduced. This will further strain Idaho employers and could lead to additional employment impacts.

To maintain trust fund solvency and prevent a large tax increase on Idaho employers, the Department of Labor is requesting the Coronavirus Financial Advisory Committee offset the impact of the pandemic on the 2021 unemployment insurance tax rates by transferring \$200 million of the CARES Act funding to the state's unemployment insurance trust fund before Sept. 30.

*Idaho Code Title 72; Chapter 13